National Aeronautics and Space Administration

Kennedy Space Center
Kennedy Space Center, FL 32899

December 16, 2008

Reply to Attn of: OP-AM (09-003)

TO: All Kennedy Space Center Purchase Card Holders and Approving Officials

FROM: OP/Director, Procurement Office

SUBJECT: Fiscal Year (FY) 2008 Purchase Card Audit Results

This report provides results of the FY 2008 Purchase Card Audit for Kennedy Space Center (KSC). The audit was conducted by representatives from the Procurement Office (OP), Logistics and Services Branch (TA-B2A), and Information Technology and Communications Services Directorate (IT). A review of account and transaction activity was accomplished using reports from the P-Card Web Solution software and through direct review of transactional data within the order log records. Please refer to the Audit Plan (enclosed) for more details.

The scope for the FY 2008 audit included purchase card activity for the entire year with a concentration on identifying questionable purchases and compliance with Purchase Card, Government Property, and IT guidance. Additional objectives of this review include ensuring that purchase cards are only issued to employees with a demonstrated need, that purchasing limitations were suitable, and to identify evidence of fragmenting or splitting of requirements.

This audit identified 26 cardholders showing little or no purchasing activity during FY 2008. The Center's Purchase Card Coordinator sent an e-mail to these cardholders inquiring whether they still require a purchase card. Cardholders who no longer need the purchase card or cannot adequately justify the retention of the purchase card had their accounts closed. Subsequently, 7 purchase card accounts were closed.

The Purchase Card Coordinator reviewed purchase card activity on a monthly basis during statement reconciliation for any potential cases of fragmenting purchases to circumvent the micro-purchase threshold. Each month at least 15 percent of the cardholders who used their card in the given month, were chosen for the monthly audit. There were no substantial findings during these monthly audits.

Month	# Card Holder Audited	# cards used	% audited	# Trans audited	Total transactions	% trans audited	% ($) audited
October	12	58	21%	88	328	27%	14%
November	12	59	20%	106	302	35%	27%
December	12	57	21%	67	258	26%	31%
January	12	57	21%	67	258	26%	36%
February	14	55	25%	36	308	12%	13%
March	13	64	20%	76	374	20%	17%
April	11	71	15%	96	461	21%	17%
May	14	70	20%	101	461	22%	24%
June	14	69	20%	83	346	24%	14%
July	15	66	23%	132	539	24%	32%
August	16	63	25%	122	565	22%	25%
September	17	65	26%	92	373	25%	39%

During FY 2008, 6 cardholders had their accounts suspended for periods of up to 60 days. Two cards were suspended for splitting of requirements, 3 were suspended for reconciliation delinquency, 1 was suspended for failure to follow KSC Policy and 1 (dual suspension) was suspended for violation of the Anti-Deficiency Act.

Additional audit findings and observations are as follows:

Observation:
The FY 2008 Government Purchase Card (P-Card) audit has been completed. The audit methodology employed statistical sampling, observation, and judgment.

A total of 34 items were selected as a sample from the P-Card annual report. The sample items reviewed were being utilized and appropriately maintained.

There were 17 items which could not be physically verified. However, appropriate documentation was provided as evidence of purchase and receipt. Those purchases included items that were forwarded to another government installation, installed into other components, conferences and certification fees, promotional, and educational items. Sample items that were required to have an ECN, were tagged in compliance with NASA regulations.

The cardholders were cooperative in providing information and maintained excellent records.

Observation:
FY 2008 purchase card transactions were examined for compliance with Section 508 policies and Mission Focus Review (MFR) 137 policies. Overall compliance is acceptable.

Training materials for purchase cardholders and approvers has been updated to include Electronic and Information Technology (EIT), Section 508, and MFR 137.

Overall Data for FY 2007 and FY 2008:

FY 2007	FY 2008	Item
11,046	11,520	Line item records
857	606	EIT records
573	369	Section 508 compliant records
138	497	MFR 137 due diligence records
8%	5%	Percentage EIT
67%	61%	Percentage Section 508 compliant
16%	82%	Percentage MFR 137 compliant

Summary Analysis of Overall Data:

- The number of line item records from year-to-year increased slightly. This is a long term trend.
- The number and percentage of EIT records from year-to-year decreased. This is consistent with the impact of MFR 137 to preferentially purchase EIT items from Outsourcing Desktop Initiative for NASA (ODIN).
- The percentage of Section 508 compliant records from year-to-year decreased slightly. This is consistent with stability in the marketplace and with the impact of MFR 137 to preferentially purchase EIT items from ODIN. EIT items purchased from ODIN are more likely to be Section 508 compliant. EIT items that cannot be purchased from ODIN are therefore less likely to be Section 508 compliant.
- The percentage of EIT records MFR 137 compliant increased significantly. This is consistent with updated training and MFR 137 outreach.

Finding 1:
The audit revealed failure of some cardholders to document order logs with information regarding the purchase, and any approvals obtained in accordance with NASA FAR Supplement 1813.301. Documentation of order logs aids in determining whether a purchase is proper or improper. Failure to document order logs draws unneeded scrutiny to an otherwise correct and proper purchase.

Corrective Action 1:
Reminder e-mails are constantly sent to all cardholders and this topic will be reinforced in future training. The Purchase Card Coordinator is actively looking at order logs before they are reconciled to ensure that comments are being added to the order log. If there is a

cardholder that is consistently not adhering to policy, they will be placed on probation or have their purchasing privileges temporarily suspended.

Finding 2:
Cardholders are creating order logs after the transaction has occurred. Failure to create order logs prior to the transaction is in direct violation of the rules and regulations of the Purchase Card Program and the Anti-Deficiency Act.

Corrective Action 2:
Cardholders have received this information in training, received a memo from NASA's Deputy Chief Financial Officer and email reminders. If it is recognized that an order log was not entered before the purchase was made, the following disciplinary action will occur: first offense will result in a written warning to the cardholder and approving official, a second offense will result in loss of credit card privileges for a period of 30 days and a third offense may result in up to a 60 day suspension, the cardholder will have to retake cardholder training and request approval from the Procurement Officer to have their card reinstated.

Summary of Audit:
To a high degree, the KSC Technical Purchase Cardholders are following operating policies and guidelines. To ensure a continued compliant and successful program, monthly reviews and yearly audits are performed and additional training will be delivered as necessary to increase knowledge and skill-level in P-Card Web Solution, and to reinforce compliance of all program requirements. Consequently, the Purchase Card Coordinator will continue to sensitize KSC Purchase Cardholders and Approving Officials of the importance of complying with all requirements and advise them to take advantage of all training and learning opportunities.

No directorate is required to respond in writing to this audit report. Questions in response to this audit should be sent to Cicely Simmons, Purchase Card Coordinator, OP-AM, at (321) 867-3912.

for Rechea H. Hutchinson
Dudley R. Cannon, Jr.

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cc:
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Fiscal Year (FY) 2008 Audit Plan

Audit Scope:

The scope for the FY 2008 Audit will include Bankcard activity for the entire year. Monthly audits of 10-15 cardholders will be performed during the year. By the end of the FY, all cardholders will have been audited at least once. The Center Purchase Card Coordinator (APC), will compile the results of the FY 2008 audit into a final report to be signed by the Procurement Director.

Audit Objectives:

Objective 1 - Account Activity Reviews:

1. **Issue bankcards only to employees with demonstrated need.**

Bankcards are issued to individuals who submit a written request identifying a justifiable need with concurrence by their supervisors. The audit will identify Cardholders showing little or no purchasing activity. The Center APC will send an e-mail to these Cardholders inquiring whether they still require a bankcard. Cardholders who no longer need the bankcard account or cannot adequately justify the retention of the bankcard will have their accounts closed.

Objective 2 – Transaction Reviews:

1. **Ensure that only appropriate items are requisitioned.**

Cardholder responsibility is emphasized as it relates to use of the card and conformance to current regulations and Center policies. The Bankcard Homepage provides Cardholders with links to job aids, source selection guidelines, restricted and sensitive items guidance, etc. The audit will concentrate on charges for items restricted for use by Center policies, purchases from specialty vendors, e.g. florists, restaurants, jewelry stores, etc. Item descriptions, categories and justifications in the comments field will also be reviewed.

2. **Ensure that proper documentation is being kept.**

Cardholders are responsible for keeping all receipts and invoices associated with an order. All of these receipts should be kept for three years in accordance with the Records Retention Schedule 5 (NPG 1441.1, Item 1A.b). Cardholders should also annotate the comments section in the order log when an approval is received to buy a restricted item (e.g. Televisions, DVD players, VCRs, microwaves, refrigerators, coffee makers, food, etc.).

3. **Ensure proper tagging of sensitive items.**

Cardholders are responsible for ensuring appropriate tagging of sensitive items or equipment. A Sensitive Item is any item of equipment which, due to its pilferable

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nature or the possibility of it being a hazard, requires a stringent degree of control. Generally, sensitive items are controlled at an acquisition cost of $500 or more and must be tagged in accordance with receipt and inspection procedures. For Sensitive Items with a value of less than $500, a NASA Form 1517, *Property of U.S. Government* decal, should be obtained from the Cardholder's Property Custodian. This will be the responsibility of the Industrial Property Group (TA-E1).

4. Electronic and Information Technology Items/ 508 Compliance Audit

When procuring, developing, maintaining or using Electronic and Information Technology (EIT), agencies must ensure that employees with disabilities have access to and use of information and data that is comparable to that for other employees; and members of the general public with disabilities seeking information or services from an agency, have access to and use of information and data that is comparable to that for members of the public without disabilities.

Section 508 (found at 29 U.S.C. 794d) refers to a section in the Rehabilitation Act of 1973, which was amended by the Workforce Investment Act of 1998 (P.L. 105-220). Its primary purpose is to provide access to and use of Federal executive agencies' EIT by individuals with disabilities. The statutory language of Section 508 can be found at http://www.section508.gov. Starting April 1, 2005, micro-purchases (generally those purchases made through the P-Card process) are required to conform to Section 508 of the Rehabilitation Act.

In addition Cardholders are responsible for ensuring that Outsourcing Desktop Initiative (ODIN), is considered as the primary source for platforms with ODIN equivalents (desktops, laptops, workstations, and network printers), and for the augmentation of ODIN seats as in accordance with KDP-KSC-P-1838.

Audit Process:

The Center APC will accomplish the Account Activity Review objective using the P-Card software which allows one to see how many transactions were made during the fiscal year and the dollar amount of the transactions for each cardholder.

Parts 1 and 2 of the Transaction Activity Review will be conducted by the Center APC with assistance from personnel in the Procurement Policy Office. Transactions will be reviewed using the P-Card software which allows one to see detailed information about Order Logs and Transactions. All cardholders with transactions will be audited.

Part 3 of the Transaction Activity Review will be conducted by the KSC Property Office. A listing of order logs containing sensitive items will be given to the KSC Property Office so that they can ensure these items have been tagged.

Part 4 of the Transaction Activity Review will be conducted by the Information Technology Directorate. Using a sampling method, 30-50 line items will be selected and audited. Cardholders will be required to provide documentation on the selected line items in order to ensure compliance with the regulations.